

Module 1

Section E: Supply and Demand Alignment

Term

Assemble-to-order (ATO)

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Backlog

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Chase production method

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Engineer-to-order (ETO)

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Executive sales and operations planning
(executive S&OP)

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Level production method

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Make-to-order (MTO)

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Make-to-stock (MTS)

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All the customer orders received but not yet shipped. Sometimes referred to as open orders or the order board. See: order backlog, past due order.

A production environment where a good or service can be assembled after receipt of a customer's order. The key components (bulk, semi-finished, intermediate, subassembly, fabricated, purchased, packing, and so on) used in the assembly or finishing process are planned and usually stocked in anticipation of a customer order. Receipt of an order initiates assembly of the customized product. This strategy is useful where a large number of end products (based on the selection of options and accessories) can be assembled from common components. Syn.: finish-to-order. See: make-to-order, make-to-stock.

Products whose customer specifications require unique engineering design, significant customization, or new purchased materials. Each customer order results in a unique set of part numbers, bills of material, and routings. Syn.: design-to-order.

A production planning method that maintains a stable inventory level while varying production to meet demand. Companies may combine [this] and level production schedule methods. Syn.: chase strategy, chase-demand strategy.

A production planning method that maintains a stable production rate while varying inventory levels to meet demand. Syn.: level strategy, production leveling. See: level schedule.

The portion of sales and operations planning that defines executive decision-making processes to balance supply and demand at the volume level in families, fully integrates financial planning and operational planning, and provides a forum for establishing and linking high-level strategic plans with day-to-day operations. See: sales and operations planning.

A production environment where products can be and usually are finished before receipt of a customer order. Customer orders are typically filled from existing stocks, and production orders are used to replenish those stocks. Syn.: produce-to-stock. See: assemble-to-order, make-to-order.

A production environment where a good or service can be made after receipt of a customer's order. The final product is usually a combination of standard items and items custom-designed to meet the special needs of the customer. Where options or accessories are stocked before customer orders arrive, the term assemble-to-order is frequently used. Syn.: build-to-order. See: assemble-to-order, make-to-stock.

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Master planning

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Package to order

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Product family

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Quality

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Resource planning

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Sales and operations planning

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A production environment in which a good or service can be packaged after receipt of a customer order. The item is common across many different customers; packaging determines the end product.

A group of business processes that includes the following activities: demand management (which includes forecasting and order servicing); production and resource planning; and master scheduling (which includes the master schedule and the rough-cut capacity plan).

Conformance to requirements or fitness for use.

A group of products or services that pass through similar processing steps, have similar characteristics, and share common equipment prior to shipment or delivery to the customer. Can be from different overlapping product lines that are produced in one factory and often used in production planning (or sales and operations planning). See: product line.

A process to develop tactical plans that provide management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer-focused marketing plans for new and existing products with the management of the supply chain. The process brings together all the plans for the business (sales, marketing, development, manufacturing, sourcing, and financial) into one integrated set of plans. [This] is performed at least once a month and is reviewed by management at an aggregate (product family) level. The process must reconcile all supply, demand, and new product plans at both the detail and aggregate levels and tie to the business plan. It is the definitive statement of the company's plans for the near to intermediate term, covering a horizon sufficient to plan for resources and to support the annual business planning process. Executed properly, [this] process links the strategic plans for the business with its execution and reviews performance measurements for continuous improvement. See: aggregate planning, executive sales and operations planning, production plan, production planning, sales plan, tactical planning.

Capacity planning conducted at the business plan level. The process of establishing, measuring, and adjusting limits or levels of long-range capacity. [This] is normally based on the production plan but may be driven by higher-level plans beyond the time horizon of the production plan (e.g., the business plan). It addresses those resources that take long periods of time to acquire. [Decisions based on this] always require top management approval. Syn.: resource requirements planning. See: capacity planning, long-term planning.